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 AMERICAN EXPRESS COMPANY and
 AMERICAN EXPRESS TRAVEL
 RELATED SERVICES COMPANY, INC

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UNITED STATES DISTRICT COURT

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FOR THE NORTHERN DISTRICT OF CALIFORNIA (SAN FRANCISCO)

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PRIVASYS, INC.,

Case No. C-08-01072 SI

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Plaintiff,

**JOINT CASE MANAGEMENT
 STATEMENT AND PROPOSED
 ORDER**

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v.

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AMERICAN EXPRESS
 COMPANY and AMERICAN
 EXPRESS TRAVEL RELATED
 SERVICES COMPANY, INC.,

Defendants

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Plaintiff PrivaSys, Inc. ("PrivaSys") and defendants American Express Company and American Express Travel Related Services Company, Inc. (collectively "American Express")

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1 hereby respectfully submit this Joint Case Management Statement in connection with the
 2 case management conference in this matter scheduled for July 11, 2008.

3 **1. JURISDICTION AND SERVICE**

4 The parties agree that the Court has subject matter jurisdiction over this action. All
 5 current parties have been served. There are no issues regarding personal jurisdiction or
 6 venue.

7 **2. STATEMENT OF FACTS**

8 **A. A BRIEF DESCRIPTION OF THE FACTS**

9 This is a patent infringement case. Plaintiff PrivaSys, in its complaint, alleges
 10 infringement of United States Patent Number 7,195,154. American Express has filed an
 11 answer denying PrivaSys' allegations and a counterclaim for declaratory judgment of non-
 12 infringement, invalidity and unenforceability.

13 PrivaSys in its complaint alleges that American Express has infringed and is presently
 14 infringing the patent-in-suit through its contactless credit and debit payment cards and
 15 electronic devices, including American Express ExpressPay cards. The complaint alleges
 16 both that American Express directly infringes and that it has induced others to make, use or
 17 sell the system.

18 American Express alleges that the patent-in-suit is invalid, that it is not infringed by
 19 American Express either directly or indirectly, and that it is unenforceable due to inequitable
 20 conduct.

21 **B. THE PRINCIPAL FACTUAL ISSUES WHICH THE PARTIES DISPUTE**

22 a. Whether any defendant has infringed, and continues to infringe, the patent-in-
 23 suit, directly or by inducement;

24 b. Whether any such alleged infringement is willful;

25 c. Whether the patent-in-suit is invalid;

26 d. Whether the patent is unenforceable for inequitable conduct;

1 e. The amount of PrivaSys' damages for any infringement of any valid and
2 enforceable claim;

3 f. Whether PrivaSys is barred from recovering any past damages based on
4 prosecution laches;

5 **3. LEGAL ISSUES**

6 The disputed points of law are anticipated to be:

7 a. The proper construction of the claims of the patent-in-suit;

8 b. Whether there has been any infringement of the claims of the patent-in-suit as
9 construed by the Court;

10 c. Whether the asserted claims are invalid or unenforceable for failure to comply
11 with one or more of 35 U.S.C. §101, §102, §103, §112 or the rules and regulations of the
12 U.S. Patent Office;

13 d. Whether any party is entitled to attorneys' fees and costs pursuant to 35
14 U.S.C. §285;

15 e. Whether PrivaSys is entitled to treble damages pursuant to 35 U.S.C. §284;
16 and

17 f. Whether PrivaSys is entitled to a permanent injunction pursuant to 35 U.S.C.
18 § 283.

19 The parties reserve the right to raise additional factual or legal issues that may arise
20 through the course of this action.

21 **4. MOTIONS**

22 The parties anticipate claim construction briefing under the Patent Local Rules and,
23 depending on the Court's constructions, various summary judgment motions.

24 **5. EVIDENCE PRESERVATION**

25 In previous litigation involving the same technology, PrivaSys imposed a litigation
26 hold on documents related to this action, collected those documents and produced them to
27

1 the other party. Copies of those documents are maintained in the office of counsel. In
2 addition, other relevant parties, including PrivaSys' patent prosecution counsel, have been
3 directed to preserve their files.

4 American Express has imposed a litigation hold on documents and electronically
5 stored information reasonably related to this action, which includes active steps to prevent
6 erasure of e-mails and other electronically-recorded material.

7 **6. DISCLOSURES**

8 The parties will exchange their initial disclosures before close of business on July 3,
9 2008.

10 **7. DISCOVERY:**

11 At this time, the parties propose altering the discovery limits imposed by the Federal
12 Rules of Civil Procedure and the Local Rules as follows:

13 (a) Plaintiff PrivaSys may notice and take no more than ten (10) depositions lasting a
14 total of no more than seventy (70) hours;

15 (b) Defendant American Express may notice and take no more than ten (10)
16 depositions lasting a total of no more than seventy (70) hours;

17 (c) Plaintiff PrivaSys may propound no more than twenty-five (25) interrogatories;

18 (d) Defendant American Express may propound no more than twenty-five (25)
19 interrogatories;

20 (e) A testifying expert shall not be subject to discovery on any draft of any report in
21 this case that was written by the testifying expert or his or her staff. Communications with
22 experts are subject to discovery.

23 The Proposed Docket Control Deadlines, below, in Section 19(D) contains a
24 proposed schedule for discovery.

25 **8. CLASS ACTIONS**

26 Not applicable.

1 **9. RELATED CASES**

2 No related cases are pending before other Judges of this Court.

3 **10. RELIEF**4 *Plaintiffs' Request:* PrivaSys seeks damages, injunctive relief, a declaration that the
5 patent-in-suit is enforceable and that American Express has willfully infringed, enhanced
6 damages under 35 U.S.C. §284, and costs and attorney's fees including those awardable
7 under 35 U.S.C. §285. PrivaSys expects that its damage computations will be based upon an
8 adequate compensation for the infringement of U.S. Patent No. 7,195,154, including
9 damages and a reasonable royalty on the manufacturing, distribution, and sales of infringing
10 products (hardware and software) including ExpressPay payment devices and services (as
11 well as infringing uses of those products and services) including processing of ExpressPay
12 transactions, enhanced damages for willful infringement, and attorneys' fees and costs
13 associated with conducting this suit. PrivaSys expects that the reasonable royalty will also
14 include a royalty on the convoyed sales generated by the infringing products and services,
15 such as ExpressPay payment devices and processing of ExpressPay transactions, offered or
16 performed by American Express and member banks.18
19 *Defendants' Request:* Defendants seek a denial of all of PrivaSys' requested relief.
20 Defendants further seek a declaration that Defendants have not infringed any valid claim of
21 the '154 patent, that the '154 patent is invalid, and that the '154 patent is unenforceable.
22 Defendants further seek costs and attorneys' fees arising from PrivaSys' claims of
23 infringement pursuant to 35 U.S.C. § 285. These costs and fees will be ascertainable
24 following judgment in this case. Defendants lastly seek an injunction barring PrivaSys from
25 asserting this patent against American Express or any other entity involved in American
26 Express contactless payments.
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1 **11. SETTLEMENT AND ADR**

2 The parties have held settlement discussions, both prior to and following the filing of
3 the complaint.

4 The parties believe that referral to mediation may be productive as the litigation
5 progresses and would suggest the use of a JAMS mediator (to be selected by the parties).

6 **12. CONSENT TO MAGISTRATE JUDGE FOR ALL PURPOSES**

7 The parties declined the appointment of a Magistrate Judge for all purposes.

8 **13. OTHER REFERENCES**

9 Not applicable.

10 **14. NARROWING OF ISSUES**

11 The parties believe that it is premature to narrow the issues for trial other than to
12 make the identifications required by the Patent Local Rules. The parties believe that they
13 may be able to narrow the issues for trial after the Court issues its claim construction rulings.

14 **15. EXPEDITED SCHEDULE**

15 The parties do not presently believe that this is the type of case that can be handled on
16 an expedited schedule.

17 **16. SCHEDULING**

18 The Proposed Docket Control Deadlines, Section 19(D) below, proposes a schedule
19 through a case management conference after claims construction.

20 **17. TRIAL**

21 The trial will be a jury trial, and the parties preliminarily anticipate that the trial will
22 be 5-10 court days.

23 **18. DISCLOSURE OF NON-PARTY INTERESTED ENTITIES OR PERSONS**

24 PrivaSys filed its Certification of Interested Entities or Persons on February 26, 2008.

25 American Express filed its Certification of Interested Entities or Persons on June 18,
26 2008.

19. **OTHER MATTERS**A. **PROTECTIVE ORDER**

The parties are discussing a stipulated protective order.

B. **CLAIM CONSTRUCTION HEARING**

The Patent Local Rules require the parties to meet and confer about the manner in which the claim construction hearing will proceed. The parties have discussed the matters specified in the Patent Local Rules and believe that a determination of the manner in which the hearing will proceed, other than the proposed scheduling as set forth below, is premature.

C. **JURY DEMAND**

PrivaSys and American Express both demand a trial by jury.

D. **PROPOSED DOCKET CONTROL DEADLINES**

The parties have agreed to follow the Northern District's Patent Local Rules in their general outline, with departures to accommodate the nature of this action and to reduce the need for hearings before this Court.

The parties have reached agreement on the discovery and pretrial schedule as follows.

The parties' suggested schedule is:

1	PARTY	DEADLINE DESCRIPTION	DATE
2	All	Joint Case Management Statement and Proposed Order	July 3, 2008
3	All	FRCP 26, Initial Disclosures	July 3, 2008
4	PrivaSys	Preliminary Infringement Contentions on '154 patent	July 21, 2008
5	PrivaSys	Production of Documents supporting Preliminary Infringement Contentions	July 21, 2008
6	American Express	Preliminary Invalidity Contentions (on '154 patent)	September 4, 2008
7	American Express	Production of Documents supporting Preliminary Invalidity Contentions	September 4, 2008
8	All	Exchange of Disputed Terms and Claim Elements for Construction	September 15, 2008
9	All	Exchange of Preliminary Claim Constructions	October 6, 2008
10	All	Exchange Extrinsic Evidence and Witness Summaries	October 6, 2008
11	All	Joint Claim Construction and Pre-hearing Statement	November 3, 2008
12	All	Deadline to Complete Claim Construction Discovery	December 18, 2008
13	PrivaSys	Opening Markman Brief	January 16, 2009
14	American Express	Responsive Markman Brief	February 13, 2009
15	PrivaSys	Reply Brief	February 27, 2009
16	All	Claim Construction Hearing (Subject to the Court's Convenience)	March 20, 2009
17	All	Status Conference with the Court re scheduling further proceedings	At Court's earliest convenience after the Markman Order
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2 Plaintiff and Defendants specifically reserve their right to request that the schedule be
3 amended due to changes occurring in the course of the case, such as amendments to the
4 pleadings, additions of parties, or other good cause, in accordance with Fed. R. Civ. P. 16(b).
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6 Dated: July 3, 2008
7
8 Respectfully submitted,
9

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21 *AMERICAN EXPRESS COMPANY and*
22 *AMERICAN EXPRESS TRAVEL*
23 *RELATED SERVICES COMPANY, INC*

24 I hereby attest that concurrence in the filing of this document has been obtained for
25 all signatures indicated by a "conformed" signature (/s) within this e-filed document.
26

27 Date: July 3, 2008

/s/ Spencer Hosie

Spencer Hosie

Attorneys for Plaintiff, PRIVASYS, INC.

1
CASE MANAGEMENT ORDER
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3 The Case Management Statement and Proposed Order is hereby adopted by the Court
4 as the Case Management Order for the case and the parties are ordered to comply with this
5 order.
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7 Dated: _____

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THE HONORABLE SUSAN ILLSTON
UNITED STATES DISTRICT JUDGE